Meeting #8  
September 2, 2015  
Market Center Building  
1:00 – 4:00 pm

Minutes

Committee Members Present: Rick Miller, Christine Vernier, Pete Nickerson (phone), Gale Castillo, Wim Wiewel (ex officio)

Committee Member Not Present: Erica Bestpitch, Irving Levin, Peter Stott

University Staff Present: David Reese, Kevin Reynolds, Susan Klees, Shelley Winn, Alan Finn, Jennifer Kahl, Don Forsythe, Scott Marshall, Cathy Kirchner, Keren Ceballos.

1. Call to Order/Roll/Declaration of Quorum
   Chair Miller called the meeting to order at 1:05 pm. Roll was called and a quorum was established.

2. Consent Agenda
   ACTION: Vernier moved to approve the minutes of the March 28, 2015 meeting. Castillo seconded. The motion passed unanimously.

3. Vice President’s Report
   Vice President Reynolds reported that all pledged funds are in hand for the Viking Pavilion/Peter Stott Center project and the design is moving forward. The final pledges for the School of Business Administration project are being negotiated and the internal loan for the project will be retired when fundraising is complete.

   There have been personnel changes in Finance and Administration with Associate Vice President for Human Resources, Shana Sechrist, having taken a position at Willamette University. Alan Finn, Associate Vice President for Budget and Finance has decided to take a position as Vice President for Finance and Administration at Lewis & Clark College. Their service to Portland State is deeply appreciated and we wish them well in their new positions.

   Jennifer Kahl joined Portland State as Controller. She is a CPA who previously worked at PacificCorp.
Update on Action Item from May 28, 2015 meeting: we sent by email to F&A Committee members the number of degrees granted by college, as requested.

4. **Budget Update**
   a. **Preliminary Summer Enrollment Report**
      Summer term is not over at this time with some courses continuing into September. Data is presented as of August 25th. Overall, enrollment is down 2.1% with undergraduate student credit hours down by 4.5% while graduate student credit hours are up by 5%.
   
   b. **FY15 Year End Budget to Actual (Revenue and Expenditures)**
      Very positive news with positive net cash flow of $19 million (excluding reserve spending) compared to an anticipated loss of $3 million. The two primary reasons for the positive variance are: 1) we received what is known as a “settle up” because our actual enrollment for the 2014-2015 academic year exceeded the projections submitted to the HECC; and 2) E&G budgets were not fully spent.
   
   c. **Cash Flow Forecast**
      The university has a cash flow target of maintaining 30-60 days of operations in liquid cash balances. Our forecasts demonstrate that cash flow will not fall below 60 days of operations at any point during the fiscal year. The lowest point typically occurs in September, which defines our core cash balance used to establish the 10% internal loan limit. Based on the projection, the maximum internal loan, without asking for approval from the Board of Trustees, is $10.5 million.

      Construction bond proceeds now go to the Oregon Department of Administrative Services rather than directly to PSU, which does affect our cash flow forecast.

5. **Accounts Receivable, Bad Debt and Payment Plans**
   a. Accounts receivable billed varies between 7 and 10% compared to the national average of 2-3%. This largely reflects the nature of our student population and the financial barriers they face. Additionally, comparing to a national average means we are comparing our data to institutions that are very different from Portland State University.
   
   b. PSU maintains a $10 million allowance for bad debt based on the methodology adopted by OUS in 2013. The university writes off about $2 million/year as bad debt and student accounts are typically 2-3 years old before they are written off.
   
   c. Bad debt totals approximately 1% of all billings.
d. 14% of our accounts receivable are turned over to collection agencies compared to 4% nationally.

e. The payment plan program was adopted to address the problem of allowing students to carry excessive balances that ultimately result in bad debt to the university and problems for students. There were 25 touchpoints with students who were not making scheduled payments. While the process started with 1,200 students with account balances, by the time term started, just 18 students had courses dropped.

f. Concerns expressed by students were about being charged a fee, the timing of the first payment of a term, and the timing of financial aid. Student Financial Services reached out to students via an ASPSU survey, worked with financial aid and graduate assistants to solicit input. All concerns were addressed and the process was changed accordingly.

6. Reserve Policy Discussion
Our purpose today is to initiate a discussion about the content of a university reserves policy that can be used to frame discussions around budget setting and spending priorities. There is no action item associated with the discussion at this time. Some relevant terms to consider in a new reserves policy include:

a. The OUS policy to be replaced refers to fund balance. However, cash balances are more relevant than fund balances as a measure of sufficient reserves. The OUS policy only references E&G funds and excludes other types of funds such as auxiliaries. Additionally, a reserve policy should reference audited financial statements.

b. One concept to explore in setting a reserve policy is the Primary Reserve Ratio (PRR). The drawback of this ratio is that it includes foundation funds, which are not actually available to the university at its complete discretion. On the other hand, you can use it as the basis to set targets for the individual components of the ratio and thus create a more complete picture of financial health than does a fund balance or cash balance target.

c. The question to the committee is, “what policy should we adopt to replace the OUS reserve policy?”

ACTION: Present data on reserve policies in place at other universities.

7. F&A Committee Meeting Schedule for 2015-2016 Academic Year
Meetings are scheduled 1-2 weeks ahead of full board meetings to avoid the necessity of repeating information at both. Four initial meetings were scheduled and a fifth has been added to discuss the Strategic Plan. The meetings are targeted to be two hours, though can be expanded to three as necessary.

**ACTION:** Add presentation of financial dashboard to F&A agenda by June, 2016.

8. **Adjourn**

Chair Miller adjourned the meeting at 3:07 p.m.